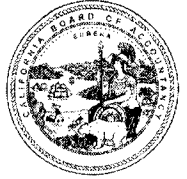


**CALIFORNIA BOARD OF ACCOUNTANCY**

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April 12, 2004

Dear Interested Party:

In July 2003 the California Board of Accountancy adopted revisions to Sections 12 and 12.5 of its regulations which describe the Board's experience requirements. Two modifications to these Sections were adopted: 1) a description of what must be done to supervise an applicant's experience and 2) a provision related to private industry experience.

These regulation changes were awaiting final approval by the Office of Administrative Law in November 2003 when Governor Schwarzenegger issued Executive Order S-02-3 suspending all rulemaking activity. The Governor's office is now permitting state agencies to complete the rulemaking process.

It is anticipated that, at this time, the Board will NOT go forward with the provision describing what it means to supervise an applicant's experience. Instead, the Board is re-visiting this matter and may pursue revised language in a separate rulemaking.

However, now that the Governor's Office is permitting state agencies to complete the rulemaking process, the Board expects to go forward with the provision related to private industry experience.

Mailing the notice and modified text attached to this letter is one of the steps necessary to complete the rulemaking process. The modified text provides a revised version of Sections 12 and 12.5 in which the provision related to private industry experience is retained and the provision describing supervision is deleted. Adoption of the modified text is on the Board's May 14, 2004, agenda as an action item.

Sincerely,

A handwritten signature in cursive script that reads 'Carol Sigmann'.

Carol Sigmann
Executive Officer

Attachment

AVAILABILITY OF MODIFIED TEXT

NOTICE IS HEREBY GIVEN that the California Board of Accountancy has proposed modifications to the text of Sections 12 and 12.5 in Title 16 Cal.Code Reg. which were the subject of a regulatory hearing on July 25, 2003. A copy of the modified text is enclosed. Any person who wishes to comment on the proposed modifications may do so by submitting written comments on or before May 3, 2004, to the following:

Aronna Granick, Regulations Coordinator
California Board of Accountancy
2000 Evergreen Street, Suite 250
Sacramento, CA 95815
E-Mail Address: agranick@cba.ca.gov

DATED: April 12, 2004

Carol Symann

MODIFIED TEXT

Changes to the originally proposed language are shown in bold with double underline for new text and strikeout for deleted text.

Section 12. General Experience Required Under Business and Professions Code Sections 5092 and 5093.

(a) In order to meet the experience requirement of Section 5092 or Section 5093 of the Business and Professions Code, experience must be supervised by a person holding a valid license or comparable authority to practice public accounting as specified in subdivision (d) of Section 5092 or subdivision (d) of Section 5093.

~~**(1) To supervise an applicant's experience, the supervisor must directly oversee and inspect the applicant's performance of the services described in subsection (b). This must include personal, ongoing communication between the supervisor and the applicant regarding the applicant's performance of the services described in subsection (b).**~~

~~**(2)**~~ **(1)** Experience shall be verified by the person supervising the experience and by a second person with a higher level of responsibility in the firm or agency. If the experience is obtained in public accounting, the second person signing the verification shall be an owner of the firm holding a valid license or comparable authority to practice public accounting. If the person supervising the experience is also an owner of the public accounting firm, no second signature is required. If the experience is obtained at a private business, no second signature is required if the person supervising the experience is also an owner of the private business.

~~**(3)**~~ **(2)** Experience may not be supervised by a licensee who provides public accounting services to the applicant's non-public accounting employer.

~~**(4)**~~ **(3)** All verifications shall be signed under penalty of perjury.

(b) The experience required by Section 5092 or Section 5093 involves providing any type of service or advice involving the use of accounting, attest, compilation, management advisory, financial advisory, tax, or consulting skills. Qualifying experience may be gained through employment in public practice, industry, or government. Experience acquired in academia is not qualifying.

(c) The experience required by Section 5092 or Section 5093 of the Business and Professions Code may be obtained in full-time or part-time employment provided the total experience completed by the applicant is the equivalent of at least two years of full time employment for an applicant qualifying under Section 5092 or at least one year of full time employment for an applicant qualifying

under Section 5093. In evaluating an applicant's experience, 170 hours of part-time employment shall be considered equivalent to one month of full-time employment.

(d) An applicant who is applying under Section 5092 or Section 5093 of the Business and Professions Code with experience obtained five (5) or more years prior to application will be required to obtain 48 hours of continuing education in specific areas prescribed by the Board.

(e) An applicant, pursuant to Section 5087 of the Accountancy Act, may be considered to have met the experience requirement of Section 5092 and 5093 if the applicant shows to the satisfaction of the Board that the applicant has been engaged in the practice of public accounting as a licensed Certified Public Accountant in another state for four of the ten years preceding the date of application for a California license.

NOTE: Authority cited: Sections 5010, 5092, and 5093, Business and Professions Code. Reference: Sections 5087, 5092, and 5093.

Section 12.5. Attest Experience Under Business and Professions Code Section 5095.

(a) To be authorized to sign reports on attest engagements pursuant to Business and Professions Code Section 5095, an applicant for a California Certified Public Accountant license pursuant to Business and Professions Code Section 5087, 5092, or 5093 or holder of an unexpired California Certified Public Accountant license issued pursuant to Business and Professions Code Section 5087, 5092, or 5093 shall show to the satisfaction of the Board that he or she meets the requirements of this section and Business and Professions Code Section 5095.

(1) Some or all of the experience required by Section 5095 and this section may be completed prior to issuance of the California Certified Public Accountant license. Any experience that would be qualifying for purposes of Section 5095 and this section may also serve as qualifying experience for purposes of Section 5083, 5092, or 5093. To be qualifying for purposes of Section 5095 and this section, any experience obtained after issuance of the California Certified Public Accountant license must be obtained while the license is held in active status.

(2) A holder of an active California Certified Public Accountant license may commence signing reports on attest engagements upon receipt of notification from the Board that he or she has met the requirements of this section and Business and Professions Code Section 5095. A holder of an inactive California Certified Public Accountant license may apply under this section, but must convert the license to active status before commencing to sign reports on attest engagements.

(3) An applicant for the California Certified Public Accountant license who has met the requirements of this section and Business and Professions Code Section

5095 may commence signing reports on attest engagements upon license issuance.

(b) In order to meet the attest experience requirements of Section 5095 an applicant for or holder of a California Certified Public Accountant license shall show to the satisfaction of the Board that the applicant has completed a minimum of 500 hours of attest experience. This experience shall include all of the following:

- (1) Experience in the planning of the audit including the selection of the procedures to be performed.
- (2) Experience in applying a variety of auditing procedures and techniques to the usual and customary financial transactions included in financial statements.
- (3) Experience in the preparation of working papers in connection with the various elements of (1) and (2) above.
- (4) Experience in the preparation of written explanations and comments on the work performed and its findings.
- (5) Experience in the preparation of and reporting on full disclosure financial statements.

(c) In order to be qualifying, experience obtained pursuant to Section 5095 of the Business and Professions Code must be supervised by a person holding a valid license or comparable authority to provide attest services as specified in subdivision (b) of Business and Professions Code Section 5095.

~~(1) To supervise an applicant's experience, the supervisor must directly oversee and inspect the applicant's performance of the services described in subsection (b). This must include personal, ongoing communication between the supervisor and the applicant regarding the applicant's performance of the services described in subsection (b).~~

~~(2)~~ (1) Experience shall be verified by the supervisor and by a second person with a higher level of responsibility in the firm or agency. The verification shall be signed by both persons under penalty of perjury. If the experience is obtained in public accounting, the second person signing the verification shall be an owner of the firm holding a valid license or comparable authority to practice public accounting. If the owner of the public accounting firm signing the verification is also the person supervising the experience, no second signature is required.

~~(3)~~ (2) Experience may not be supervised by a licensee who provides public accounting services to the applicant's non-public accounting employer.

(d) In order to demonstrate the completion of qualifying experience, an applicant for or holder of a California Certified Public Accountant license may be required to appear before the Qualifications Committee to present work papers, or other evidence, substantiating that his or her experience meets the requirements of

Section 5095 of the Business and Professions Code and of subsection (b) of this section.

(e) The applicant who is applying with attest experience obtained outside the United States and its territories must present work papers substantiating that such experience meets the requirements of subsection (b) and generally accepted auditing standards. Alternatively, the applicant may acquire a minimum of 500 hours of United States experience which meets the requirements of Business and Professions Code Section 5095 and subsection (b).

(f) The applicant who is applying with experience obtained five (5) or more years prior to application may be required to obtain 48 hours of continuing education courses in specific areas prescribed by the Board.

(g) The applicant, pursuant to Section 5087 of the Accountancy Act, may be considered to have met the experience requirement of Section 5095 if the applicant shows to the satisfaction of the Board that the applicant has been authorized to provide attest services as a certified public accountant in another state for four of the ten years preceding the date of application for a California license.

(h) The experience required by Section 5095 may be obtained in full-time or part-time employment.

NOTE: Authority cited: Sections 5010 and 5095, Business and Professions Code. Reference: Section 5023, 5087, 5092, 5093, and 5095, Business and Professions Code.